

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-14 EA-12 IO-14 ISO-00 AID-05 CIAE-00
EB-08 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 PA-02 /145 W
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P R 251731Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 5513
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY MEXICO
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

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USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
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DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: SCHMIDT-CALLAGHAN PUBLIC STATEMENTS ON MONETARY
QUESTION

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1. THE QUALITY ENGLISH PRESS HAS GIVEN A MODEST AMOUNT OF COVERAGE AND INTERPRETATION TO CHANCELLOR SCHMIDT AND PRIME MINISTER CALLAGHAN'S POST-CHEQUERS PRESS CONFERENCES BUT HAS YET TO PROFFER EDITORIAL COMMENT.
2. ALL THE PAPERS NOTED THAT SCHMIDT AND CALLAGHAN EXCHANGED COMPLIMENTS ON EACH OTHER'S ECONOMIC POLICIES.

THE TIMES NOTED THE CHANCELLOR'S ADMIRATION FOR HOW WELL THE BRITISH SEEMED TO BE "MUDDLING THROUGH" THEIR ECONOMIC PROBLEMS. THE PRIME MINISTER IS REPORTED TO HAVE REMARKED: "IT IS NO USE ANYBODY BELIEVING THAT THE GERMAN GOVERNMENT DOES NOT WANT GROWTH. THE GERMAN GOVERNMENT WANTS GROWTH AS MUCH AS ANYBODY ELSE WANTS GROWTH. THEY HAVE UNEMPLOYMENT AS WE HAVE UNEMPLOYMENT. BUT WHAT THE CHANCELLOR IS CONCERNED WITH IS HOW BEST WE CAN GET GOOD GROWTH. WE HAVE BEEN FOCUSSED ON THAT IN OUR STUDIES."

3. SCHMIDT TOLD THE PRESS THAT THERE WAS LITTLE DISCUSSION OF A EUROPEAN MONETARY SNAKE. ACCORDING TO THE TIMES, HE WENT ON TO SAY "WHAT WE TALKED ABOUT WAS OUR MUTUAL DESIRE TO BRING ABOUT MORE STABLE RATES ALL OVER THE WORLD. ... WE WANT TO PREVENT THE ENORMOUS VOLATILITY WHICH BRITAIN'S AND GERMANY'S AND OTHER COUNTRIES' EXCHANGE RATES SUFFER FROM."

4. THE TWO LEADERS EMPHASIZED THAT THEY BELIEVED THE U.S. WOULD NOT BE HARMED BY ANY INSTITUTIONAL CHANGES THEY MIGHT CONTEMPLATE. THE GUARDIAN QUOTES CALLAGHAN: "THERE IS NO DESIRE TO ERECT A MONETARY SYSTEM THAT WOULD OPERATE AGAINST, FOR EXAMPLE, OUR AMERICAN PARTNERS. ANY SUCH ARRANGEMENT WOULD BE DESIGNED TO ASSIST OUR AMERICAN PARTNERS, NOT TO OPERATE TO THEIR DISCOMFITURE."
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CHANCELLOR SCHMIDT WOULD NOT ELABORATE ON THE SPECIFIC REFORMS HE MIGHT BE ARGUING FOR, BUT COMMENTED GENERALLY ACCORDING TO THE GUARDIAN "WE HAVE STARTED THESE TALKS FROM BOTH SIDES WITH THE VIEW THAT ONE COULD HAMMER OUT THESE DIFFICULTIES FIRMLY IN CLOSE COOPERATION WITH THE U.S.," ADDING AT A LATER INTERVIEW THAT "THE CLOSER THE CURRENCIES OF THE COMMON MARKET COUNTRIES THE EASIER IT

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WOULD BE FOR THE U.S. MONETARY AUTHORITIES TO JOIN EUROPE
IN CREATING MORE STABLE EXCHANGE RATES."

5. THE FINANCIAL TIMES INTERPRETED SCHMIDT AND CALLAGHAN'
REMARKS AS FOLLOWS:

QUOTE: BRITAIN AND WEST GERMANY APPEAR TO HAVE NARROWED
THEIR DIFFERENCES OVER HOW TO TACKLE THE WORLD'S ECONOMIC
AND MONETARY PROBLEMS AFTER THE MEETING WHICH ENDED IN
LONDON LAST NIGHT.

THE TWO SIDES ARE CONTINUING TO GIVE DIFFERENT EMPHAS-
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IS TO THE NEXT STEPS TO BE TAKEN TO COMBAT RECESSION AND
CURRENCY INSTABILITY -- WITH THE U.K. STRESSING THE NEED
TO PROMOTE GROWTH AND WEST GERMANY GIVING PRIORITY TO
STABILIZING EXCHANGE RATES.

BUT, BOTH NOW SEEM TO ACCEPT THAT ONE DOES NOT NECES-
SARILY RULE OUT THE OTHER. THE TWO APPROACHES COULD GO
HAND IN HAND, HERR HELMUT SCHMIDT, CHANCELLOR, SAID.

... THE FIRST STEP HAD TO BE AN END TO TURBULENCE IN
THE EXCHANGE MARKETS. MEASURES TO BOOST GROWTH COULD BE
A SECOND OR THIRD STEP, HE SAID IN THE BBC TELEVISION'S
PANORAMA PROGRAMME.

MR. JAMES CALLAGHAN, WHILE PREPARED TO ACCEPT STUDIES OF NEW FORMS OF INTERNATIONAL CURRENCY COLLABORATION, IS STILL NOT TO BE DEFLECTED FROM HIS AIM OF LAUNCHING A NEW PACKAGE OF MEASURES TO STIMULATE GROWTH AT THE FORTHCOMING SEVEN-NATION WORLD ECONOMIC SUMMIT IN BONN IN MID-JULY.

... HERR SCHMIDT SAID LAST NIGHT THE STABILISATION OF THE DOLLAR WAS FIRST PRIORITY. ONE AIM OF ANY NEW EEC MONETARY ARRANGEMENT WOULD BE TO STOP SPECULATORS MOVING OUT OF DOLLARS INTO INDIVIDUAL EUROPEAN CURRENCIES. THEY WOULD BE CONFRONTED BY A SINGLE EUROPEAN BLOC.

HERR SCHMIDT DID NOT SPELL OUT THE EXACT NATURE OF THE ARRANGEMENTS HE FAVOURED, AND MR. CALLAGHAN STRESSED THAT STUDIES WERE STILL AT AN EARLY STAGE. END QUOTE

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